

VZCZCXYZ0021
RR RUEHWEB

DE RUEHBU #0245/01 0391416
ZNR UUUUU ZZH
R 081416Z FEB 07
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC 7223
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDOC/USDOC WASHINGTON DC
RUEHC/DEPT OF LABOR WASHINGTON DC
RHMFIUU/HQ USSOUTHCOM MIAMI FL
RUEHAC/AMEMBASSY ASUNCION 5922
RUEHMN/AMEMBASSY MONTEVIDEO 6159
RUEHSG/AMEMBASSY SANTIAGO 0170
RUEHBR/AMEMBASSY BRASILIA 5773
RUEHCV/AMEMBASSY CARACAS 1075
RUEHLP/AMEMBASSY LA PAZ FEB QUITO 0847
RUEHSO/AMCONSUL SAO PAULO 3154
RUEHRI/AMCONSUL RIO DE JANEIRO 2141
RHMCSSU/FAA NATIONAL HQ WASHINGTON DC//AWH-10//
RHMCSSU/FAA MIAMI SO IFO23 MIAMI FL
RHMCSSU/FAA MIAMI ARTCC MIAMI FL

UNCLAS BUENOS AIRES 000245

SIPDIS

SIPDIS
SENSITIVE

STATE for TOM ENGLE, JEFF HORWITZ AND JOEL REIFMAN
WHA FOR WHA/BSC AND WHA/EPSC
E FOR THOMAS PIERCE
PASS NSC FOR JOSE CARDENAS
PASS TRANSPORTATION FOR BRIAN HEDBERG
PASS FAA
TREASURY FOR ALICE FAIBISHENKO
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER
USDOC FOR 4322/ITA/ALFORD
US SOUTHCOM FOR POLAD
TRANSPORTATION FOR BRIAN HEDBERG
FAA FOR CECILIA CAPESTANY, KRISTA BERQUIST
FAA MIAMI FOR MAYTE ASHBY

E.O. 12958: N/A

TAGS: [EAIR](#) [AR](#) [ECON](#) [PGOV](#)

SUBJECT: PLANNING MINISTER PROMISES TO ADDRESS US AVIATION COMPANIES CONCERNS

REF: (A) 05 Buenos Aires 2681, (B) 05 Buenos Aires 2055

¶1. (SBU) SUMMARY. Ambassador Wayne hosted a civil aviation roundtable luncheon on January 31 for top Government of Argentina (GOA) officials, and representatives from the six U.S. air carriers operating in Argentina. Participants discussed the March 2007 USG-GOA aviation liberalization talks to be held in Washington; the high costs of the airport operator; problems with the state-owned ground handling company; bureaucratic regulations for parcel shipping companies; challenges in providing security and screening at the airport; and the need for all aviation entities to have more open communication. Minister of Planning Julio De Vido and Secretary of Transportation Ricardo Jaime offered their assistance

SIPDIS
on these matters and also encouraged more consultation between their offices and these airlines. They promised to convene regular working groups with the U.S. carriers to discuss aviation-related matters. The six U.S. carriers and Embassy are guardedly optimistic, and we will follow up with the GOA. Press coverage of the event was positive, and will also assist us in pressing for follow-up. The carriers are drafting a letter to De Vido and Jaime to review the issues discussed, and to request a formal follow-up meeting. END SUMMARY

¶2. (SBU) Ambassador hosted a luncheon on January 31, which included Minister of Planning Julio De Vido, Secretary of Transportation Ricardo Jaime, airports regulator (ORSNA) Brig. Gen. (ret) Horacio

Orecife, state utility contracts chief negotiator Dr. Jorge Gustavo Simeonoff, and the country managers from American, Delta, Continental, United, UPS and Fedex, as well as the DCM, FCS Counselor and Econoff.

GOA SUPPORT FOR UPCOMING USG-GOA LIBERALIZATION TALKS

13. (SBU) Ambassador briefed the group on the current status of the USG-GOA talks to liberalize our 1985 bilateral air services agreement (reftel A). He noted that both sides seek to liberalize the agreement in the following areas: increasing the number of weekly flights (or frequencies) allowed between our nations; route schedule expansion (the right to bring passengers to each other's nation, pick up other passengers, and to bring them onto other destinations, or third-, fourth-, fifth- and sixth-freedoms); updated language on charters; provisions on pro-competitive items, such as pricing, user charges, ground-handling and dispute resolution; and updated security provisions. Ambassador notified the group that GOA and USG negotiators plan to hold formal aviation liberalization talks March 20-22 in Washington. Minister De Vido and Secretary Jaime voiced support for such increases in frequencies, but also voiced some concern that the increase in flights by U.S. carriers might not be matched by Argentine carriers, due to the latter's limited capacity. Ambassador noted that these increases would benefit the growing Argentine tourist industry, which just completed a record year in international arrivals in 2006.

HIGH PRICED AIRPORT OPERATOR

14. (SBU) As detailed in reftels A and B, American carriers (and other foreign carriers) have long expressed serious concerns about the airports operator/concessionaire, Aeropuertos Argentina 2000 (AA2000). Users regularly complain about the extremely high and unjustifiable prices for landing, parking, storage, services, and fuel; arbitrary fines and rules; unrealized infrastructure investments; and AA2000's monopolistic advantages. At the luncheon, the group discussed the pending AA2000-GOA contract re-negotiation, in which the airlines and the International Air Transport Association (IATA) have also been involved. The new contract involves the GOA taking a 20 percent stake in the company, AA2000 having its accumulated debt of USD 280 million forgiven, and reducing AA2000 annual fee and investment commitments to the GOA. Recent negotiations between IATA, carriers and the GOA also could result in: price reductions for user fees of about 20-25%, which carriers indicate would be very helpful; a pledge to guarantee free competition in the aviation fuel market; and the creation of a formal commission for fuller consultation, comprised of most of the agencies involved with airport administration, and all airlines, to increase communication and transparency. The commission would report its findings to Congress.

15. (SBU) De Vido and Jaime acknowledged the difficulties that the carriers faced, and expressed hope that the new contract would alleviate some of their costs. De Vido asked Jaime to assure that a working group, to involve all the various airline authorities at the airport, could meet on a regular basis with the U.S. carriers. The airlines also asked for assurances that the GoA and AA2000 would stick to the provisions of whatever new contract they complete, and not add on arbitrary (and unexpected) fees and conditions in the future. The carriers also noted that any new agreement will not affect AA2000's overall revenue, as any agreement will merely shift fees among various sources, like eliminating the domestic departure tax, and increasing the international departure tax. AA2000 is assured of the same gross income, no matter what. The airlines emphasized that that their main objective was to gain a reduction in AA2000 fees, which they claim are among the highest in the hemisphere.

STATE-OWNED AND HIGH-PRICED GROUND SERVICES COMPANY

¶ 6. (SBU) Participants also raised another long-standing complaint: the high-priced and allegedly sub-par performance of the state-owned ground services company, Intercargo. (Note: With the exception of American Airlines, which several years ago established its own ground handling service when this option was still available, most if not all other foreign carriers are forced to use Intercargo. End note). The recent high-profile arrests of several Intercargo employees for theft highlighted another long-standing complaint of many carriers. Airline representatives also noted that most carriers had recently received notices from Intercargo that their current contract would expire in 90 days, and that their contracts would be renewed and renegotiated. They expressed concern that the costs would increase again. De Vido and Jaime noted that Intercargo's exclusivity contract runs until 2009, but that there was clearly a need to have more competition. They pledged to discuss this with the carriers soon, and agreed that any contract extension needed to take into account the need for a more flexible and customer-oriented company.

UPS AND FEDEX PROBLEMS

¶ 7. (SBU) UPS and Fedex representatives complained that GOA customs rules limited the value of express packages sent to \$1,000 per consignment per day. (Note: Although not directly discussed, Fedex and UPS have in the past stated that there are other parcel companies. e.g. DHL, allowed higher limits. If this is true, this would represent a case of discrimination against U.S. companies. End note.) The representatives said that they are treated as if they were actual importers and exporters, with all the added legal implications and responsibilities, for example, having to "lend" their taxpayer number (or "CUIT") to clients who do not have one. De Vido, in agreeing to holding working groups on these issues, volunteered to talk to the Industry Secretary or Secretary of External Commerce in response to the carrier representatives pointing out that exports by Argentina's small and medium-sized industries are restricted under the current regulations. He also volunteered to include Customs in this working group.

OTHER ANNOYANCES

¶ 8. (SBU) The United representative complained that the municipality of Ezeiza, the town that nominally includes the international airport, has been trying to charge fees for non-rendered services, such as employee airport "sanitary records," and "security fees," despite having no official responsibilities for these functions. Although United recently won a court decision against the Ezeiza municipality, the court case involved a lot of time and money, for what United felt was a clear case of harassment. United and other carriers complained of "exorbitant" and "unfair" immigration penalties relating to passengers arriving at Ezeiza with improper documentation. United Airlines, for one, claims it is paying hundreds of thousands of dollars per year in such fines. (Note: Post understands that Malaysian Airlines is currently contesting a several hundred thousand dollar fine recently imposed by GOA Immigration for one single arrival that was said to include several travelers with improper documentation. End Note.) Under GOA law, a passenger arriving with documentation judged to be insufficient, the airline is fined three times the value of the ticket paid by the passenger, but Immigration bases this not on what the passenger actually paid, but that of IATA's baseline maximum fare, which is never the actual paid cost. The carrier reps also complained that Immigration had too few officials at the airport, often resulting in long delays for customers, and that this adversely affected the image of Argentina.

NEED FOR AIRPORT TO PROVIDE BETTER SECURITY SCREEING

¶ 9. (SBU) Carriers described the challenges they faced in properly screening passengers for U.S.-bound flights, to comply with Transportation Security Administration regulations. They noted that the relatively new entity in charge of this, the airport security

police force (PSA), was unable to screen passengers in a timely and effective manner, and that these problems were impacting the carriers' ability to board passengers on time. This problem would grow if frequencies increased.

PERCEPTION THAT THE ENTIRE AIRLINE IS A MONOPOLY

¶10. (SBU) Carriers noted what they described as an overall lack of transparency in the entire airport system. They said that their many complaints about AA2000 and Intercargo, when they communicated them to the nominal airport regulator, ORSNA, were rarely acted upon. More generally, airline representatives said that there was a strong perception that the entire aviation industry matrix in Argentina - Customs, Immigration, ORSNA, the military, airport police, Intercargo - amounted to a form of a monopoly, in that there usually is no entity to appeal to, no other vendor to use, and the carriers are effectively "hostages" to the policies of this group. The carrier representatives said there was a need for freer and more competitive services in all these areas.

AGREE ON THE NEED FOR REGULAR CONSULTATION

¶11. (SBU) Carriers noted that there was a lack of an effective consultative process among and between the carriers, regulators, government, AA2000, and the military. (Note: Civil aviation is under the control of the military in Argentina, although, as reported reftels A and B, the GOA is planning to a transition from military to civilian control. End Note). The working group that Minister De Vido and Secretary Jaime offered to convene with the U.S. carriers, it was agreed, could be most effective if it was informal and able to quickly respond to current challenges.

COMMENT

¶12. (SBU) The carrier representatives viewed the roundtable as a good start, and are eager to follow-up on De Vido and Jaime's promises of assistance. The event received prominent press coverage, thanks to Embassy press release, with several dailies running stories about the meeting, and we hope that this coverage will motivate the GOA to resolve the impediments to improved civil aviation services. Although pushing this agenda of improvements and follow-up might not be easy, the meeting at least started the dialogue between the private sector and government officials. As one airline representative later commented, "maybe now when we call their offices they'll at least take our calls, and not stonewall us."

¶13. (U) To see more Buenos Aires reporting, visit our classified website at: <http://www.state.sgov.gov/p/wha/buenosaires.>

WAYNE